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Piggyback:

The competitive
pressures mount

Conrail's Ed Jordan:
The meaning of deregulation

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Inside



LUTHER S. MILLER

THE CONRAIL SUCCESSION

"What kind of man would you like to see succeed you as head of Conrail?" We put the question to Edward G. Jordan at the end of a recent interview during which Conrail's incumbent chairman and CEO had candidly discussed the successes and the failures of his five years in railroading's toughest job (p. 33).

Jordan pondered the question, and replied thoughtfully: "A better man. One should not have put as much of his life into a situation such as this without hoping that it's going to be more successful when he leaves than when he was here, and that's how I feel. I would like to think that there is a skilled manager with significant railroad experience at the CEO level available to take this job, despite all the problems associated with it."

A few days later, Conrail's board announced that this man had been found. He is L. Stanley Crane, who has just retired as chairman and CEO of the Southern and who will take over the Conrail post Jan. 1. (Jordan announced several months ago that he would leave Conrail next year to become dean of Cornell University's Graduate School of Business and Public Administration.)

Stan Crane is an industrial engineer who has been called "the Renaissance man of railroading" because his expertise spills over into so many areas of the business. Presiding over the renaissance of Conrail will not be the easiest task he has ever undertaken; but finding a man with better credentials for that task would be hard.

SPRINGROSE: "IF I WERE RUNNING A RAILROAD..."

There are two or three industrial traffic officers who, through innovative leadership, have achieved eminence in the transportation field comparable to that of the top transportation CEO's themselves. One of these is James V. Springrose, who recently announced that he will retire next Feb. 1 as vice president-transportation of Cargill. Springrose says he plans to do "some transportation consulting" after retirement, and well he might, because he has quite a track record on quite a fast track: The Springrose mark is on annual volume rates, on Rent-a-Train, on shipper supply of covered hoppers in quantity for grain movement. In each case, both carriers and customers have gained.

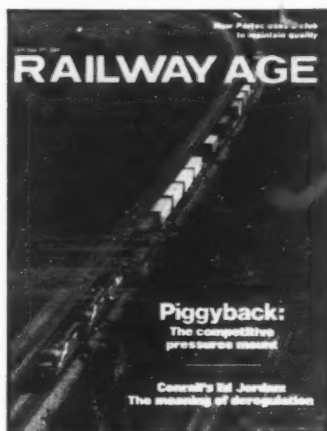
What views will Springrose bring to transportation consulting? "If I were running a railroad today," he says, "I would give immediate attention to three things. First, I would expand the authority of the marketing department in deciding how to run the railroad. Marketing people should know what the best return on investment is on any given mix of traffic. Therefore, they are better positioned to establish service priorities than the operating department. Second, I would concentrate a great deal of effort in determining what I would want the system to look like in 10 years. Finally, regarding maintenance and rehabilitation, I would concentrate heavily on reinvesting earnings and other available capital into rifle-targeted areas that would achieve the greatest productivity gains. And by productivity, I mean better utilization of all the railroads' assets, whether they be fixed or rolling or personnel."

Springrose concedes that this may be "a broad simplification. Some railroads are already using these management approaches." But "some" is not all, and that's one reason Jim Springrose's post-Cargill career could be as interesting as the one he's had, for 34 years, with the Minneapolis-based company.

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Trucking deregulation has produced a rash of rate-cutting by traffic-hungry motor carriers that could do short-term damage to the railroads' carefully structured pricing/service strategies. But no long-term losses are foreseen. Meanwhile, piggyback is doing unexpectedly well in a recessionary year.

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COVER: Conrail run-through piggyback train in lakes region of upper New York



Piggyback:

The competitive pressures mount

By FRANK MALONE
Associate Editor

For promoters of railroad intermodal service, recovery from the recession is a sufficiently worrisome problem. That recovery, however, must now come in a competitive situation somewhat tougher than in prerecession days and one that may not be fully understood until many postrecession days have passed.

One reason is truck deregulation. There is broad agreement in Washington—at the Association of American Railroads, at American Trucking Associations, at the ICC, and at the Department of Transportation—that over the long haul the deregulation of motor carriers will not cost the railroads significant chunks of piggyback traffic (see next page). One railroad economist, in fact, believes it may even give TOFC a boost. He points out that “Right now, under Teamster contracts, railroads get only overflow highway traffic. But with the easier entry into trucking that deregulation makes possible, we’re going to see a lot of smaller truckers in the business who are not bound by Teamster contracts.”

Out in the field, however, there is considerable apprehension for the short range. Dropping in after the bottom had dropped out of the business, truck deregulation also arrived just as some railroads had finally put together the service/pricing/equipment packages crucial for piggyback profits. Now those well-shaped strategies seem to face a tougher test from

truckers’ rate-cutting and easily extended operating authority, as well as faster growth of private carriage, already a big threat. True, there’s rail deregulation, too, but it isn’t clear yet what that can do for intermodal traffic or how fast.

The impact of trucking deregulation was an obvious concern of piggyback officers at last month’s annual meeting of the National Railroad Intermodal Association in Kansas City. Their concern was colored by reports that included few bright spots for 1980 traffic and some railroad comments such as, “We’re seeing stepped-up competition from contract carriers as a result of deregulation.”

● **The plus factors.** Piggyback’s present situation, however, is far from all gloomy.

For one thing, the decline in piggyback traffic during this recession, while serious and damaging, has not been as severe as many expected. “Piggyback traffic normally goes down exponentially during a business downturn,” points out Richard E. Briggs, executive vice president of the AAR. “In 1975, piggyback declined at about twice the rate of other traffic. This year the drop has been only about 10%, just about the rate for carload traffic. The reason for this could be that traffic susceptible to movement by piggyback has not declined as drastically as other sectors of the business. But my guess is that it may be due to the rising cost of fuel.” In other words, the railroads may, at last, be starting to reap some of the benefits of their inherent fuel efficiency.

So if the recession has hurt railroad

intermodal traffic, it has perhaps cut even more deeply into the highway share—so deeply that many truckers may be using deregulation against each other even more than against the railroads. “Remember, there is a floor to rate cutting,” says an eastern railroad intermodal officer. “Deregulation was not designed to promote the kind of predatory pricing that will put somebody out of business. But we may see that happen.”

Adds another railroader: “With business down in general, some of the irregular-route people have dropped into our area and are offering door-to-door rates that beat our ramp-to-ramp. They’re offering all kinds of incentives, but obviously they can’t keep this up over the long term. When business gets back up, they’re going to be somewhere else.”

Says a third: “Right now we have intensive truck competition because of the surplus capacity caused by slow business, and it’s reflected in their pricing. But we don’t think this will last. Some of those truckers are going to fall by the wayside. Right now, where one falls, two come in, and it’s a shakeout process.”

Thus, railroads don’t seem likely to take drastic measures to meet the immediate threat, especially if doing so would upset long-term strategies that have been so carefully constructed. “You could make hasty decisions now that would be very detrimental later on,” says one TOFC marketing officer.

Hoping that the real testing ground—a general business recovery—is not far off,

Will truck deregulation hurt TOFC traffic?

Every Monday since that week in July when President Carter signed the Motor Carrier Act of 1980, Conrail has checked the *Federal Register* and found more of its shippers applying for rights to expand their trucking operations or begin new operations. The shippers are taking advantage of the intercorporate hauling rule in the trucking deregulation bill, under which companies that truck their own goods can pick up a low-cost backhaul for somebody else. Conrail's first worry is that the backhaul rule can make private carriage increasingly attractive to big shippers. But there is also a chance that expanded trucking service, no matter who owns the trucks, will draw away some rail freight—particularly from TOFC shipments, where shippers are already geared up to load and unload trailers.

The expansion of the trucking business following deregulation—and the rate wars that have already begun—will probably have more impact on piggyback than on anything else in the railroad business, says David Paxson, intermodal economist for the Association of American Railroads. But the impact will be only slight, he says, especially over the long haul. He predicts that most of the new private carrier traffic will come from other trucking business.

Furthermore, Paxson and other economists feel that substantial rate-cutting will be impossible for the trucking industry, and that the \$5-8 billion in annual consumer savings promised by politicians is implausible. The rate-cutting (and trucking bankruptcies) of the last few months, as well as the recent decline in piggyback traffic, have probably been due more to economic recession than to new competition, Paxson believes.

● **Truckers see little change.** The American Trucking Associations, which was loath to surrender its cloak of regulation and is still grumpy about the bill, expects no more good to accrue to trucking in this area than in any other. Economists at the ATA predict that a "dynamic equilibrium" will be maintained between modes, with some shift between geographic areas and in particular commodities but little net change.

"I think we're really straining here to

say there will be a diversion," says ATA Senior Economist Richard Staley. "I really don't see where motor carrier regulation is going to have much effect on piggyback volumes." He points out that the average trip length for private carriers has been half that of for-hire carriers, so the new trucking opportunities will come over routes that have been considered too short to be economical for TOFC.

One area where deregulated truckers are likely to try to squeeze out a little fat and cut rates is in less-than-truckload (LTL) movements, which in recent years have been more profitable than truckload shipments. This profitability has encouraged the growth of freight forwarders and shipper associations, which consolidate these small shipments into trailers and often consign them to rail for the line-haul portion of their movement.

How serious a problem to TOFC would more LTL competition be? Railroads have been working to improve TOFC reliability in order to attract the very service-sensitive LTL business, and today LTL freight may make up as much as half of the piggyback volume carried by a railroad, according to Charles Yardley, a consultant who worked with the Federal Railroad Administration on an intermodal freight study. Yardley and others caution, however, that because railroad manifests don't detail the loads in trailers it is impossible to say exactly how much LTL traffic the railroads carry.

"The whole market is getting more competitive, so if TOFC doesn't improve as fast as the other modes it will fall behind," says Richard Klem, who has monitored trucking deregulation for the ICC's Office of Policy and Analysis. "It's not speed but reliability that's got to improve. If the railroads can guarantee delivery within a pretty small window, then piggyback has got real potential."

Intermodal marketers seem to agree that after things settle down, railroads may have the chance to win back any lost traffic by realizing the potential for cost savings in TOFC. "The trucks will be looking around for ways to get a competitive advantage over other trucks, and going piggyback could be the answer," says one rail marketer.

● **One for TOFC.** The trucking deregulation bill included one clause designed to help TOFC a little bit: A motor carrier with authority to serve both end points of a shipment can now substitute rail movement anywhere along the line-haul route, and no longer has to interchange along its regular route.

While the Motor Carrier Act may give trucks a chance to price competitively for TOFC business, the new rail deregulation bill gives railroads a chance to fight back, under the provision that allows the ICC to exempt from regulation the rail portion of a continuous intermodal movement. And if the railroads are interested, it will be easier under the rail bill to draw up contracts with truckers playing the pickup-and-delivery role of shipper.

The ICC, which has by fiat blocked growth of railroad-owned trucking operations, now seems inclined to remove such restraints, and this could open up new areas of intermodal transportation. "I suspect the agency, considering the current cast, would be willing to look again at the issue of liberalizing the right to acquire trucking companies," says Edward Guthrie, chief of the operating rights section in the ICC Office of Proceedings. "But as an administrator, I prefer to respond to a request from a carrier, which we haven't had, rather than address the question in a vacuum."

Because railroads and trucks are handled by different committees in the House of Representatives, it proved too difficult to steer intermodal freight deregulation through Congress using the Motor Carrier Act as a vehicle. But Senate Commerce Committee Chairman Howard Cannon (D.-Nev.) and Surface Transportation Subcommittee Chairman Russell Long (D.-La.) seemed fairly keen on clearing the way for growth of "total transportation companies," and hearings on intermodal deregulation are expected next year.

"Now that Congress has addressed airlines, trucking, and railroads," says one rail official, "the next thing to consider should be deregulating intermodal transportation."

—Tom Kizzia

most railroads seem willing to forego any short-term response to mounting truck competition. "It's a very unsettled situation," says one railroader.

● **Basic issue: Service.** Far from unsettled, however, are the strategies of some railroads whose piggyback planners see the current threat as not much different from what rail intermodal has al-

ways faced. The basic issue was, is, and will be service, they say, and no rate reduction can make up for poor service. In a way, their reaction is an echo of the trucker response to the earlier touting of piggyback fuel efficiency in the "energy crisis." Truckers argued that rail service would not automatically improve just because fuel-related costs would stay lower

than those for the competition. Or, as one of the NRIA speakers put it, "Many of us were deluded by the energy shortage. The railroads were not exactly overwhelmed by new business."

Rail intermodalists, of course, believe that their mode does indeed have a fuel advantage. But service remains the greatest concern. That's especially true on the

Trailers and containers loaded in piggyback service* 1972-79

Year	Plan I	Plan II	Plan II½	Plan III	Plan IV	Plan V	Subtotal	All other plans	Grand total
1979	334,850	203,391	1,563,465	482,684	346,255	101,721	3,032,366	167,580	3,199,946
1978	318,747	230,334	1,544,133	423,680	337,963	103,253	2,958,110	219,181	3,177,291
1977	281,022	216,855	1,431,568	363,814	273,143	84,348	2,650,750	148,889	2,799,639
1976	188,077	229,224	1,323,165	300,088	207,970	70,700	2,319,224	186,449	2,505,673
1975	119,453	255,339	1,215,283	199,625	163,101	71,687	2,024,488	186,447	2,210,935
1974	157,187	423,775	1,462,199	196,159	184,160	76,194	2,499,674	222,780	2,722,454
1973	183,278	488,585	1,425,746	147,061	196,534	67,823	2,509,027	209,301	2,718,328
1972	160,741	507,402	1,182,332	82,295	144,155	58,727	2,135,652	231,326	2,366,978
Plan as % of total 1979	10.5%	6.4%	48.9%	15.1%	10.8%	3.2%	94.8%	5.2%	100.0%

*Figures do not include empty trailers or containers originated that moved on revenue charges, including those which, under tariff, had been assessed revenue charges for the loaded and empty return movement

Source: Car Service Division, AAR

two railroads with the largest shares of overall rail intermodal traffic—Conrail (18%) and Santa Fe (13%).

"The big thing to sell is dependability," says Martin A. Brieschke, Santa Fe manager-intermodal sales and service. "We're confident that we can compete in terms of service, and with rail deregulation we'll have the ability to react in terms of

price."

Santa Fe's intermodal traffic this year is expected to show a 4-5% gain over 1979 volume, making this railroad one of the few with an increase for 1980. "If these irregular-route people were not cutting rates, we'd probably be doing better," says John H. Beck, manager-intermodal pricing. "But I'm not so sure that the

price cutting is due completely to deregulation. I think it's largely survival. They're cutting their rates because of the downturn in the economy."

● **Boosting backhauls.** Beck says Santa Fe views contract rates and Plan III (shipper trailers) rates as means of building backhaul business in corridors where the railroad has already proven its service

How shipper agents and associations view piggyback

Railroads, in their effort to keep and develop more piggyback traffic, have two important groups of allies—the shipper agents (who act as intermediaries between carriers and customers, putting together service/rate packages, arranging equipment supply, tracing shipments, and handling billing, all for a small commission) and the shipper associations, whose objective is to consolidate piggyback shipments for better rail service and rates.

Last year, for example, the National Association of Shipper Agents (NASA, now composed of more than 40 agents) accounted for line-haul rail revenue of about \$375 million, compared with about \$102 million just five years earlier; in those five years, NASA-arranged loadings rose more than 130% (30% in 1978-79 alone). And one of the better-known shipper associations, ITOFCA (Industrial Trailer on Flat Car Associates, based in suburban Chicago), has produced an almost constant year-to-year increase in business for railroads; there were decreases in only two (including 1979-80) of 21 years, both because of economic recession.

Like all good allies, shipper agents and associations have more than a few constructive suggestions and criticisms to offer the railroads. Two representative members of these groups who believe railroads can more than meet the com-

petition from trucks if they will make the necessary improvements are long-time agent Phillip C. Yeager, president of Hub City Terminals, a large Chicago-based agency, and Frank E. Hennig, president of ITOFCA.

● **Better marketing needed.** "I don't think railroads are selling piggyback properly," Yeager says. "Railroads are still more concerned about fighting each other. When one takes business away from another, there is hell to pay. But when a truck line comes in and takes business away, they wring their hands and say 'Oh my God, we lost this business,' but they don't seem to think of what it'll take to get it back."

Yeager is quick to add that shipper agents may not be doing a good enough job, either, but he thinks they've done fairly well. (Some major railroads agree. One eastern road reports that of its 10 largest intermodal customers, six are shipper agents and four of those showed big volume increases for the first eight months of 1980.) Agents also act to meet competitive changes, as Yeager explains: "We recently went out and leased 45-foot trailers to preserve the traffic of one of our largest accounts and one of the largest piggyback shippers. The truckers had come in with piles of proposals, either undercutting rail rates or coming so close that their alleged superior service would get the business. They were

also coming in with 45-foot trailers."

Yeager is adamant about longer trailers: "You cannot compete with a 40-footer against a 45 at anywhere near the same price. We were able to lease 45-footers to save that traffic; we were able to react more quickly than the railroads."

● **Something to fight back with.** To Yeager, the current frenzy of truck rate cutting is caused more by recession than deregulation, though he sees a connection: "It's a result of the economic conditions slipping and the need for traffic. Because deregulation is there, the truckers can respond faster than they could before. The railroads need something to fight back with, because they're really being attacked by the trucking industry."

One such weapon is multiple rates, and Yeager cites Conrail (which recently hosted a NASA delegation for a day-long discussion of CR proposals) as a good example of their use. Hub City was the second customer (the first was a freight forwarder) to sign up for Conrail's new 10,000-trailer annual rate plan. Says Yeager: "This will permit us a lower rate so we can compete with truck competition, and it stimulates us to go out and buy or lease trailers (the plan is for non-railroad equipment). Also, Conrail is publishing some rates that we proposed to them on 5,000 trailers a year in rail-owned equipment. We proposed something that will help them get trailers in the

superiority. The objective, of course, is to improve equipment utilization, to reduce empty miles.

The rate adjustments usually mean a reduction for the return load. They may also apply to substitution of available equipment for return empty. Or, they may include charges for part or all of the empty miles in a movement.

The ingredients of Santa Fe's intermodal strategy sound a lot like those of Conrail's. CR's director of multimodal sales, Buford Smith, also emphasizes that service is first on the list: "We're preparing for the long term by trying to put together a superior product involving service, terminals, and equipment, as well as price."

Conrail is aiming its pricing thrust toward reducing empty miles, especially by encouraging use of shipper-owned equipment. Says Smith: "Even in contract rates, we're pursuing the Plan III concept. We just came out with a 10,000-load annual volume contract rate only for customers with their own trailers."

Smith also sees Plan III as a means of meeting the threat of private carriage: "We have been burdened by that for

many years, and I don't know how much dereg is really going to encourage it. But if we can maintain the service standards that they require and serve the points that they are serving, I think we have a good shot. We're already hauling a lot of private carriage under Plan III."

After an outstanding 1979, Conrail will likely show a 10% drop in intermodal volume for 1980, but the revenue drop will be considerably less, Smith says, adding: "I think we're seeing signs of reaching the bottom in the recessionary trend, and we hope we'll be well into the recovery stage in the first quarter of 1981."

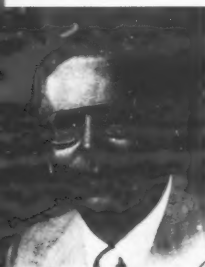
● **NW's "key."** Norfolk & Western has been working hard on the empty miles problem for several years, and since early 1977, its "anchor" policy for containers has been increasingly productive. Allowing container lines and leasing companies a maximum 25% empty in relation to loaded mileage, the policy has paid off. "It has shown more than a \$6-million profit improvement through elimination of empty miles," says Reggie Short, NW director of intermodal sales. The key, he says, is to keep tabs on empty miles throughout the system. This computer-aided effort

will be expanded next year to include terminal-by-terminal inventory of empty containers.

For the railroad's overall intermodal business (containers currently account for about 50% of revenues), Short thinks some new marketing efforts, soon to be announced, will help NW show a slight revenue increase this year. Main targets will be corridors with backhaul problems.

Even more concerned about backhaul are two railroads that have made impressive gains in shorter corridors. One is Grand Trunk Western, which added a second train to its Detroit-Chicago service right in the face of a deepening recession (RA, April 28, p. 34). The train is still on, and business in the corridor is up and lately getting stronger, says James G. Decker, director-intermodal marketing.

GTW's good service-better backhaul strategy also applies to the Detroit-Cincinnati corridor, following the acquisition of the Detroit, Toledo & Ironton (RA, June 30, p. 38), in which the first departmental consolidation was for intermodal. In late September, says Decker, volume at DT&I's Detroit piggyback facility was higher than ever before. □



Frank E. Hennig
ITOFCA, Inc.



Phillip C. Yeager
Hub City Terminals, Inc.

right positions to move, and they in turn have helped us with a rate structure that we think will help us compete with trucks."

Directional pricing is being used well by several railroads to reduce empty mileage, says Yeager. "For railroads to price themselves competitively, they have to improve their productivity. That means they can't continue to handle empty trailers thinking they don't cost anything. That's where directional pricing is so important. With that, really all they're doing is meeting track competition and acting like truckers, which is exactly what they have to do to improve productivity."

● **Dereg: Another view.** ITOFCA's Hennig sees truckers making some short-term inroads on piggyback. "The reason is that there are a lot of truckers out there hurting financially. Rather than close the door, they're willing to take some losses, hoping they can survive

until things turn around. They are putting in some reductions that are drastic. They're below the present TOFC levels, while the rails are taking their ex parte increases, so there's certain traffic that's eroding."

Hennig believes this will continue until the economy improves enough so that excess capacity is wiped out—or some truckers are, too. "It, he added, "With the kind of ease of entry they'll have under deregulation, for every one that fails, there'll be two little guys springing up. And we're not too far away from the point where any independent operator, a one-truck company, is going to be able to have 48-state authority just by blinking his eye. It looks like it could be a real competitive jungle out there with a lot of people who really don't understand what their costs are. They might price it wrong. Competition is going to be such that it's going to drive [the price] down to a very marginal level, and it's going to hurt rail TOFC."

Railroads are fighting back with their own pricing, Hennig says, but he wonders how well can they keep up with competition changing faster than ever before. "When the competition does something that's economically unfeasible, what are you going to do about it? You can sit back and say they're dumb but in the meantime they're handling the business."

ITOFCA itself is looking harder now at truck alternatives, but Hennig emphasizes "alternative" rather than whole-

sale replacement of rail service. He says the association's members need to know what's available under rules that are subject to daily change.

● **Piggyback profitability.** Hennig believes most railroads will learn how to price intermodal service not just for survival but to show good gains. But he's amazed that some railroads still don't seem to know whether or not piggyback is profitable or how to determine whether it is or can be.

Hennig is as convinced as Yeager is that the 45-foot trailer is crucial: "The motor carriers are just absolutely killing the railroads with 45-foot and tandem trailers. And this is an area where rails have been so reluctant to make progress. It's the same as when all the railroads had 30-foot trailers. They were slow to go to 40-footers. They said, 'If we do, everybody's going to want 40-foot and the others will sit empty.' Meanwhile, the parade is going by. The truckers have this big equipment, and they're stealing the business. They're diminishing the fuel/energy edge that the rails have."

Among bright spots in rail intermodal service, Hennig sees terminal improvements, especially conversion of facilities for mechanized operations. Another good sign is the spreading use of contract rates. ITOFCA recently signed a six-month contract with Milwaukee Road guaranteeing 1,250 trailerloads from Chicago to Minneapolis/St. Paul. The railroad guarantees enough trains a week to handle the traffic.



Loading at Chicago. Conrail is pushing a contract rate for customer-owned trailers.

Illinois Central Gulf, also in the short-haul market, is expanding its "Slingshot" service in the Chicago-St. Louis corridor. A new train will start running in November on the Bloomington-St. Louis segment of the corridor, with Bloomington-Chicago to follow. Bloomington will serve as a "hub center" for industries at Peoria, Decatur, and Springfield, Ill.

"Our goal is to establish 14 hub centers at key locations to provide shippers with line-haul service at a reasonable rate and to recapture freight that has left the rails in recent years," says Peter P. Novas, vice president-automotive/intermodal marketing. Among corridors being considered for the service is Memphis-Louisville.

Novas claims that the recession has not hurt Chicago-St. Louis intermodal revenues: "The route is protected by the number and variety of shippers able to make use of 'Slingshot' and the economic advantages it offers." The main advantage is a reduced rate for the backhaul from St. Louis to Chicago, basically a volume-discount deal.

Another ICG effort is toward LTL shipments under Plan V (joint rail/truck tariff, rail or truck trailers), which eventually may gain enough "credibility" that long-term contracts may apply, says John Donnell, director-intermodal market development. "While the partnership with customers would obtain less revenue per

shipment, it would be generating more volume, and that's the key, even if it is made up of LTL shipments," Donnell says.

● **Equipment: The length problem.** As railroad pricing strategies have developed, so have improvements in piggyback equipment needed for the lower-cost operation that makes competitive pricing possible. Developments range from Santa Fe's Ten-Pack train to faster lift off/lift on machinery, in a technology flurry unprecedented in intermodal history (*RA*, July 28, p. 24).

A major attempt—perhaps the first fully coordinated one—is being made to deal with the problems of handling different-length trailers. "For a long time, there's been general agreement among intermodal operations officers that we're having a lot of trouble with nonrailroad trailers," says Gordon A. Volkers, assistant general manager-operations for Chessie at Baltimore. "The problems are increasing in direct proportion to the quantity of nonrailroad trailers being tendered to us, and they vary in severity in direct relation to a trailer's exceeding 40 feet in length."

Especially troublesome are trailers with 42-inch kingpins, because most piggyback cars and tractors used for terminal hostling are geared to handle trailers with 36-inch kingpins. Then there's the problem of nose-mounted power units for reef-

er trailers, which extend 24 inches or more beyond the front of the unit.

When the bodies of trailers with these components are longer than 41 feet, there's real trouble, as Volkers explains: "Such trailers loaded on the 'B' end hitches of most flatcars result in a 6-inch overhang beyond the car deck."

The kingpin/nose-mount problem is considered a serious threat to railroads' ability to handle larger piggyback volumes efficiently—so much so that an ad hoc committee to wrestle with the problem was formed at the annual NRIA meeting. The committee is headed by Volkers and includes representatives of Santa Fe, Conrail, Chessie, NW, Southern Pacific, Trailer Train, and several trailer manufacturers. Volkers says the railroads will keep coping with the length problems of existing trailers, but the hope is that changes can be made for new units.

● **Outlook optimistic.** Despite the current slack and tougher-than-ever price competition, railroad intermodalists are convinced they'll see a traffic surge in the not-so-distant future. New partnerships are being explored, not only with shippers but especially with motor carriers, and especially in view of energy concerns that are expected to grow stronger.

Despite some short-term problems, optimism over the future of intermodal extends into the executive suites of many railroad headquarters. One example is Chessie, whose chairman considers intermodal the next great opportunity, after coal, for his railroad and for Chessie-Seaboard after merger. "We hope to get a good part of our growth by taking traffic off the highways," says Hays T. Watkins. "The way to do it is through some sort of cooperative activity between the railroads and the truckers. The economics are such that there are bound to be advantages for both modes in using piggyback. I am very optimistic that we can attract more intermodal traffic. If we learn how to do innovative pricing, we ought to be able to get a greater share of the intercity market. There's a tremendous market for intermodal service, and I think that's the next big area where railroads have to make a breakthrough. ■



Santa Fe TOFC/COFC train near Fenner, Calif. The road expects a 4-5% gain in intermodal volume this year.

Market

CARLOADINGS

Loadings of revenue freight in the week ended Oct. 4 totaled 458,513 cars, according to the Association of American Railroads. This was a decrease of 27,502 cars, or 5.7%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Oct. 4 are estimated at 18.8 billion, a decrease of 2.6% below the corresponding week of 1979.

REVENUE FREIGHT CARLOADINGS

Commodity	Oct. 4 week	Sept. 27 week
Grain	34,769	32,507
Farm products	5,265	4,415
Metallic ores	28,506	26,906
Coal	117,789	116,609
Crushed stone, gravel & sand	15,171	14,976
Nonmetallic minerals	16,355	15,946
Grain mill products	17,632	17,738
Food and kindred products	18,225	18,992
Primary forest products	18,863	19,256
Lumber & wood products (except furniture)	9,396	9,390
Pulp, paper & allied products	21,122	21,603
Chemicals & allied products	27,561	27,134
Petroleum products	5,529	5,445
Stone, clay & glass products	16,197	16,449
Coke	4,012	4,019
Metals & products	16,442	15,580
Motor vehicles & equipment	17,745	17,461
Waste & scrap materials	12,115	12,023
Forwarder & shipping assn. traffic	12,110	11,485
All other carloads	43,416	43,126
LCL traffic	293	248
Total cars loaded	458,513	451,308
Cumulative total 40 weeks	17,402,084	18,399,413
Estimated revenue ton-miles (billions), 40 weeks	702.1	695.8

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Sept. 27 totaled 33,512 cars (13.1% below the corresponding 1979 week) and 60,662 trailers or containers (down 12.1% from 1979). Cumulative volume for the first 39 weeks of 1980 is 1,246,854 cars (down 10.8% from 1979) and 2,269,196 trailers or containers (down 8.0% from 1979).

CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the seven-day period ended Sept. 7 totaled 4.3 million tons (down 12.5% from 1979). Cars loaded totaled 60,824 (down 14.7% from 1979). Cumulative loadings for 1980 were up to 180.98 million tons (up 2.8% from 1979).

● **CP Rail.**—Placed an order for 100 89-foot, 100-ton flatcars with Marine Industries. Cost is estimated at \$8.5 million.

● **General Electric Apparatus Service Division.**—Received contracts totaling more than \$14 million for rehabilitation of rail passenger equipment at its Hornell, N.Y., shop. For the Maryland Department of Transportation, GE will rehabilitate 22 locomotive-hauled cars for \$5,462,400 and eight rail diesel cars for \$3,456,300. Under a contract with the Port Authority of Allegheny County, GE will rehabilitate 10 locomotive-hauled cars and install diesel-electric head-end power units for \$4,065,392, and rehabilitate two diesel-electric units for \$1,297,872.

● **New Jersey Department of Transportation.**—Placed a \$13-million order with Electro-Motive for 10 3,000-hp, diesel-electric passenger locomotives for use on the Raritan Valley Line. Delivery will begin late in 1981, coinciding with delivery of 57 new push-pull cars previously ordered from Bombardier.

● **Freight cars and locomotives.**—The following report has been received from the AAR and the ARCI:

DELIVERED

	August		July	Eight months	
	1980	1979	1980	1980	1979
Built new by carbuilders	6 158	7 753	5 455	55 730	55 156
Built new in RR shops	836	574	435	4 050	3 776
Built new—total	6 994	8 327	5 890	59 780	58 932
Rebuilt	18	104	4	923	622
TOTAL DELIVERED	7 012	8 431	5 894	60 703	59 554
Locomotives (new and rebuilt)	108	159	167	1 308	1 112

ORDERED

	2,531	7,519	3,393	27,482	84,482
To be built new by carbuilders	266	1,200	0	4,578	3,471
To be built new in RR shops	2,797	8,719	3,393	32,060	87,953
To be built new—total	194	191	0	1,063	645
To be rebuilt					
TOTAL ORDERED	2,991	8,910	3,393	33,123	88,598

ON ORDER AND UNDELIVERED

	September 1		August 1	Average backlog	
	1980	1979	1980	1980	1979
To be built new by carbuilders	62 652	117 305	67 934	84 504	112 332
To be built new in RR shops	6 780	6 006	7 350	6 619	5 656
To be built new—total	69 432	123 311	75 284	91 123	117 988
To be rebuilt	240	110	64	354	103
TOTAL ON ORDER	69 672*	123 421	75 348	91 477	118 091
Locomotives (new and rebuilt)	577	723	517	951	1 068

*Due to revision and cancellations of some orders, the backlog has been reduced by 1,655 cars.

